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PSC Regulatory Division Administrator  
Update to ETIC  
Thursday, March 15, 2018 at 2:00 pm

**1. Rulemaking proceedings**

Small Water Utilities (N2017.9.76)

- Commission held a hearing on Tuesday (3-13-2018) to take public comment on two alternatives for amending the Commission's rules for small water and sewer utilities.
- The Montana Consumer Counsel petitioned the Commission last September to amend or repeal the rules authorizing small water and sewer utilities to implement standard rates.
- In response to that petition, in January this year the Commission published two possible options for reforming the rate making process for these utilities.
- One option, proposed by MCC, eliminates the standard rate option and adds simplified rate case filing requirements.
- The other option, developed by the Commission, retains the standard rate option, but clarifies that:
  - it can only be used as an interim rate
  - can't be used by a utility has existing tariffed rates
- At the hearing, MCC testified in support of its option eliminating standard rates.
- Representatives of small water/sewer utilities supported standard rate options.
- The Commission will accept written comments on the proposed rules until March 23, 2018.

Legally Enforceable Obligations (N2018.3.15)

- Commission initiated this rulemaking in February.
- The purpose of the rulemaking is to refine the requirements for qualifying facilities to create legally enforceable obligations, also known as LEOs.
- The concept of an LEO is established in the Federal Energy Regulatory Commission's regulations.
- It is intended to address situations where a utility refuses to sign a contract with a QF.
- FERC has stated that an LEO can be created when a QF unequivocally commits itself to provide electricity to a utility.
- However, the details of exactly when and how an LEO gets created have been left to public utility commissions to determine.

- The Commission previously adopted a set of requirements for creating an LEO in a 2010 order, in a docket known as the Whitehall Wind case (D2002.8.100).
- However, in several recent case QFs have questioned the legitimacy of one or more of those LEO requirements, and FERC issued a statement that the Commission's requirement of an executed transmission interconnection agreement between the QF and the utility is not compatible with FERC's regulations.
- With this rulemaking process the Commission will re-evaluate the LEO requirements in its earlier Whitehall Wind decision, and codify any amended requirements in an administrative rule.
- The proposed rule attempts to address FERC's concern that the executed interconnection agreement element of the existing LEO requirements gives the utility control over when an LEO is created.
- A hearing on the proposed rules is scheduled for April 9, 2018.

## **2. Docketed Utility Cases**

### Community Renewable Energy Projects (CREP) D2016.4.33

- On April 4, the Commission will hold a public hearing on NorthWestern Energy's request for a waiver of the Community Renewable Energy Project requirements for 2015 and 2016.
- The CREP requirements are an element in Montana's Renewable Energy Standard.
- NorthWestern has stated that, for these years, it was unable to find projects that satisfied local ownership requirements and the statutory cost caps.
- Two intervenors, MEIC and NWECA, have expressed skepticism over whether NorthWestern took all reasonable steps to comply with the CREP requirements and questioned NorthWestern's interpretation of the statutory cost cap provisions.
- The Commission has previously granted NorthWestern waivers for 2012-2014.

### Avista-Hydro One D2017.9.71

- On May 17, the Commission will hold a public hearing on the request by Avista to merge with a Canadian company, Hydro One.
- In this case, as part of its evaluation of how the merger could affect the public interest, the Commission is assessing whether approval could impact generating plants in Montana.
- Avista owns a 15% share of Colstrip Units 3 and 4 as well as the Noxon Rapids hydroelectric facility (about 380 aMW).
- The Commission recently directed Avista to supplement its initial application with additional information on how the merger might affect the future of these plants.

- Avista provided supplement testimony on March 7.
- The Commission provided an additional opportunity for parties to intervene to address the supplemental testimony.
- Requests to intervene were due March 14: AFL-CIO, City of Colstrip

#### Biennial Review of interconnection rules Docket N2017.8.68

- The 2017 Legislature enacted SB 11
- Requires the Commission to biennially review its interconnection rules for net metering systems:
  - to ensure they comply with current national safety standards
  - are being implemented by utilities.
- In August 2017 the Commission initiated a docket for the purpose of reviewing its rules and
- Requested public input regarding possible changes to the existing rules.
- NorthWestern Energy and the Montana Renewable Energy Association each submitted comments generally supporting the Commission's review. But neither of them proposed any specific rule change.
- The Commission's rules require net metering systems to be interconnected according the 2003 version of the IEEE-1547 standard.
- A staff analysis revealed that that standard was amended in 2014, and that the standard is currently being reviewed with a new version expected in 2018.
- The 2014 revisions, and pending 2018 revisions, address higher penetrations of distributed energy resources that some states are experiencing.
- Staff advised the Commission to continue allowing interconnections according to the 2003 version of the IEEE-1547 standard until the 2018 update is available.
- Staff concluded that the 2003 version of the standard remains adequate for Montana given the current small number of customer-generators and that the updated standard is likely to increase costs and interconnection time frames.
- Staff also recommended that the Commission require utilities to report certain information to the Commission prior to the next biennial rule review.
- On January 23, the Commission issued a notice requesting comment on the staff-recommended reporting requirements.
- Comments are due April 30.

#### NorthWestern compliance with PSC interconnection rules D2016.9.66

- On January 26, NorthWestern Energy submitted its proposed tariffs to implement the Commission's small generator interconnection rules.
- The Commission noticed receipt of the tariff filing in February.
- The deadline for intervening in this docket was March 9.

- The Commission received requests to intervene from: MCC, MREA, IREC (Interstate Renewable Energy Council)
- The next step in the process will be issuance of a procedural schedule, which will include a tentative hearing date.

#### NorthWestern Natural Gas Rate Case D2016.9.68

- On February 28, the Commission issued a Final Order in Phase 2 of NorthWestern Energy's natural gas general rate case.
- Phase 2 dealt primarily with how to spread cost responsibility among the various customer classes and how to adjust various tariff rate elements.
- The parties in the case ultimately reached a settlement on the issues, which the Commission largely accepted.
- In addition to cost allocation and rate design issues, the Commission had asked the parties to address the merits of essentially decoupling NorthWestern's revenue for gas production assets from sales volumes.
- The Commission's interest in such decoupling was not related to energy efficiency incentives, as is usually the case with decoupling proposals. Rather it was related to the Commission's view of the role of those assets and their cost structure.
- Although the Commission found that record evidence support decoupling in concept, it did not find sufficient evidence related certain technical details needed to implement it.

#### Other upcoming hearings:

N2017.9.73 – MDU IRP.....	March 26
D2017.9.79 – MDU Natural Gas.....	April 26
D2017.10.83 – MDU Rate 93 (standard QF rate).....	May 2
D2017.9.80 – EWM Natural Gas.....	May 9
D2017.5.39 – NWE PCCAM.....	May 31

Total hearings scheduled through May 31 = 12.